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NATIONAL INTELLIGENCE DAILY CABLE

Saturday October 30, 1976

CI NIDC 76-254C

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Saturday October 30, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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EAST GERMANY: Leadership Changes

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[] In a surprise shake-up of his regime on Friday, East German party chief Erich Honecker had himself named head of state. He also fired Prime Minister Horst Sindermann, replacing him with Willi Stoph, who had been chairman of the Council of State--head of state--since 1973. Sindermann was given the largely ceremonial post of president of the parliament.

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[] These moves, announced by the parliament, were evidently arranged at Thursday's meeting of the party Central Committee. Honecker now has both of the positions held by his predecessor, the late Walter Ulbricht. In proposing Honecker's election as chairman of the Council of State, Stoph said the move was made because the party general secretary acts for the nation in decision-making and in representing the state.

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[] In the East European Warsaw Pact countries, all party chiefs are now heads of state except for Hungary's Kadar and Poland's Gierek.

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[] Stoph is no newcomer to the premiership. As prime minister from 1964 to 1973, he was generally regarded as durable and hard-working but not particularly imaginative. He has had some serious health problems, and may therefore be only an interim appointee.

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[] Sindermann's sudden fall from grace may be partly the result of East Germany's growing economic problems. At Thursday's Central Committee plenum, Honecker called for meticulous administration and criticized the state organs for neglecting the concerns of citizens. The balance of payments may be another key problem, following record trade deficits with developing Western countries of \$900 million and \$1.1 billion in 1974 and 1975, and disappointing results from an "export offensive" in the West this year.

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[] East Germany has also been hard hit by reduced outputs of grain, forage, and fodder crops resulting from severe drought. Much of the imported grain is coming from the West, using up an unplanned amount of scarce hard currency needed for other economic purposes. The poor harvest and continuing short supplies of fodder have led to shortages of meat and other foodstuffs and some consumer grumbling.

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[redacted] Stoph announced that he will present his new cabinet and program on Monday. Some ministers whose duties involve the consumer sector and trade with the West may be replaced. [redacted]

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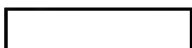
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LEBANON: Situation Report

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[REDACTED] The Syrians, by allowing the movement of some Palestinian guerrillas south into the Arqub, appear to be trying to ensure Palestinian cooperation and to rein in their troublesome Christian allies.

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[REDACTED] Syrian Foreign Minister Khaddam met separately with Lebanese Christian and Palestinian leaders on Thursday in Damascus to encourage both sides to stop fighting in southern Lebanon. Khaddam reportedly also tried to ease Christian apprehensions that Syria has shifted its support to the Palestinians and again advised the Christians to limit their dealings with the Israelis.

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[REDACTED] Syria evidently wants to create a balance of forces between the Palestinians and Christians in southern Lebanon in order to gain greater control over both groups.

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SOUTH AFRICA: New Strike Call

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[REDACTED] Militant black students in Soweto township outside Johannesburg, South Africa's largest city, have called for a five-day strike next week by the area's black industrial workers. The leaflets calling for the work stoppage carry the name of the Soweto Students Representative Council, which apparently has played a leading role in student agitation since the first major riot in Soweto last June.

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[REDACTED] The most recent stoppage occurred in mid-September. It lasted for three days and kept three fourths of the black industrial workers in the metropolitan area away from their jobs. The high rate of absenteeism apparently was achieved through advance notices that appealed for black solidarity against the apartheid system and also warned that the homes of blacks who went to work would be burned.

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[REDACTED] During two work stoppages in August, violent clashes occurred between police and students who were harassing commuters. In addition, extensive random fighting flared among Soweto residents belonging to different tribes after police encouraged blacks who opposed the strike to attack students.

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[REDACTED] The latest strike notices reportedly urge blacks to avoid confrontations with police next week. Even if the strike leaders intend to repeat tactics that avoided serious bloodshed last month, another extensive work stoppage, if it materializes, will involve a high risk of major violence. [REDACTED]

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JAPAN: Pre-election Unity

25X1 [] With Lower House elections only about five weeks away, the ruling Liberal Democrats have decided to forego a divisive leadership struggle in favor of pre-election unity.

25X1 [] Opponents of Prime Minister Miki--nearly two thirds of the party--publicly called last week for Deputy Prime Minister Fukuda to replace Miki as party president and prime minister at a special convention that had been scheduled for tomorrow. Miki's opponents agreed yesterday to postpone the convention until after the election, at least partly because of sentiment in the party that the leadership issue be resolved after, rather than before, the election. Miki thus will almost certainly remain in charge through the election.

25X1 [] The endorsement of Fukuda's candidacy, however, demonstrates that the balance of power in the party still favors the Deputy Prime Minister. A serious effort to replace Miki will probably be made shortly after the election, when by law the entire cabinet must resign and a new prime minister must be elected by the Diet.

25X1 [] The Diet has already passed the vital fiscal legislation on its agenda and will probably be dissolved early next month. The election is likely to be held on December 5. []

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BRAZIL: Investment Cuts

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[] Brazil is planning to cut public investment next year in a major effort to curb inflation. Price increases are likely to exceed 50 percent this year, compared with 30 percent in 1975. Prices have risen despite a tight money policy, soaring interest rates, and a ceiling on wage increases.

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[] Although details still are being worked out, the investment cuts apparently will affect key areas in which the public sector is deeply involved--energy, iron and steel, chemicals, and mining industries, as well as transportation and other services.

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[] The private sector, which accounts for more than 80 percent of total fixed investment, has been bearing the brunt of austerity measures. Tax and credit incentives to private investors have been selectively reduced since last year. The state-owned National Economic Development Bank has cut back loan disbursements to private development projects, originally slated to reach nearly \$4 billion this year.

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[] These measures are beginning to reduce excess demand, but stiff import controls that limit the supply of goods and sharply increase the cost of imports continue to fuel inflation. Raw material shortages are becoming severe and black markets are appearing in some industrial raw materials.

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[] Brazil, nevertheless, intends to maintain import controls for at least another year, and may even tighten them further in an attempt to reduce the current-account deficit. The deficit is now expected to exceed \$6 billion this year, down only moderately from \$6.8 billion in 1975.

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[] The proposed investment cuts, along with the previous controls, probably will hold real economic growth to less than 5 percent in 1977. Moreover, by delaying the completion of plants that are to produce import substitutes, the cuts could help prolong Brazil's dependence on imported goods.

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[redacted] The government's critical review of public investment programs has already heightened tensions within the cabinet and probably is largely responsible for a recent spate of rumors of an impending shake-up. Ministers responsible for running state enterprises will continue lobbying behind closed doors to forestall budget cuts until final decisions are made. [redacted]

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NATO: Prepares for CSCE

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[REDACTED] //NATO representatives met in Brussels last week to try to reach agreement on how to approach the conference in Belgrade next year that will review implementation of the Helsinki agreement on security and cooperation in Europe. The allies agreed on the need to press for a "full and candid" assessment of the East's record of compliance, but the Europeans made clear their belief that the US posture on the East's performance is too rigid.//

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[REDACTED] //The overall Western approach to the review conference reflects an awareness that the meeting can have an important impact on the future evolution of East-West relations. Western governments view recent public dissatisfaction with detente in the West, coupled with the East's marginal record of compliance, as requiring a candid review of implementation of the Helsinki agreement.//

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[] //The allies expect the East to try to downplay the conference and to make countercharges of its own. Accordingly, the West will be seeking to focus the conference on efforts to ensure that the East lives up to its commitments, with enough new proposals presented to enable the West to retain the initiative.

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[] //The West's proposals will include some that are intended to gain support for its approach from neutral and non-aligned countries among the 35 signatories that will attend the review conference.//

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[] //The NATO meeting in Brussels was preceded by consultations among the EC Nine so that the eight who are NATO members came to last week's meeting with an agreed position. This procedure restored the system of prior EC consultation employed during the Helsinki conference itself. This does not signify major differences between the Nine and the other NATO allies; the EC's paper on the Belgrade conference, for example, has been accepted as the basis for NATO deliberations.//

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[] //At least since last spring, however, the Europeans have been trying to separate themselves from what they see as Washington's "all or nothing" approach to Eastern compliance with the Helsinki agreements.//

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[] //The Europeans believe that no action should be taken that alters the Helsinki agreement, but they insist that Eastern initiatives not be rejected out of hand. This position reflects Europe's geographical proximity to the USSR, the desire of the allies to maintain their independence despite cooling relations between the superpowers, and a determination to make the most of Soviet interest in expanding the dialogue with the West.//

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[] //A report on allied preparations for the Belgrade conference will be presented to the NATO foreign ministers in December. Detailed preparations for the conference will continue through next spring. []

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